

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2051 – SB 2336

March 14, 2014

SUMMARY OF ORIGINAL BILL: Prohibits the enactment of any ordinance or resolution by a county or municipal legislative body to increase the property tax rate by more than 25 percent until approved by the voters in the county or municipality by referendum. The referendum may be held in conjunction with a general election, but in the absence of a general election, a special election must be held. Requires municipalities holding a special election to pay all costs associated with holding a special election.

FISCAL IMPACT OF ORIGINAL BILL:

Forgone Local Revenue – Exceeds \$100,000

Other Fiscal Impact – The number of local governments who will elect to hold a special election for the purpose of increasing the property tax rate in excess of 25 percent is unknown; however the one-time increase in local expenditures associated with holding any special election is reasonably estimated to exceed \$10,000.

SUMMARY OF AMENDMENTS (013762, 014149): Amendment 013762 deletes and rewrites the bill such that the only substantive change is to clarify that the proposed prohibition is applicable to the assessed property value proposed by the county legislative body within a one-year period. Amendment 014149 exempts financially distressed counties and municipalities as determined by the Comptroller.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- If the required referendum is held in conjunction with a general election, any increase in local government expenditures is estimated to be not significant.
- Any local government holding a special election would incur one-time expenditures; however, the cost will vary based on the population of the local government holding the special election.

- Based on information provided by the State Division of Elections, a special election costs between \$10,207 for a small county such as Lake County and \$597,022 for Shelby County.
- Based on information provided by the State Division of Elections, a special election costs a municipality between \$8,800 (the city of Luttrell with a population of 1,080) and \$715,000 (the city of Memphis with a population of 646,900).
- The number of local governments electing to increase property tax rates in excess of 25 percent is unknown; however, if a local government elects to hold a special election it would result in a one-time increase to local government expenditures reasonably estimated to exceed \$10,000.
- Based on information provided by the Comptroller of the Treasury and the County Technical Assistance Service (CTAS), since 2009 five counties and 27 municipalities have raised their property tax rate more than 25 percent.
- Based on information provided by the Comptroller of the Treasury, only two local governments have been deemed to be financially distressed in the last 40 years. The provisions of the bill as amended would authorize such financially distressed local governments to increase property tax rates in excess of 25 percent without holding a referendum.
- The number of local governments that will increase their property tax rates in the future by less than 25 percent as a direct result of this bill, or that would have increased rates by more than 25 percent in lieu of this bill is unknown. As a result, determining a precise amount of forgone local government property tax revenue is difficult; however such forgone amount is reasonably estimated to exceed \$100,000 per year statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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